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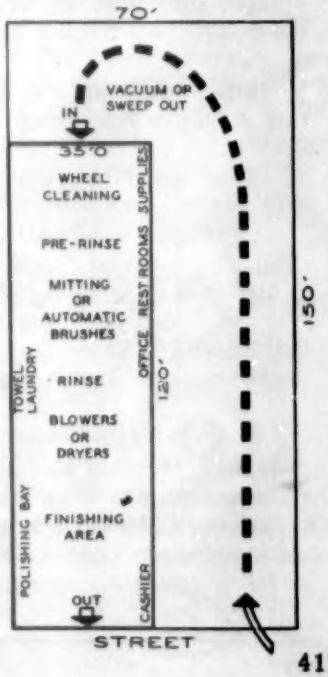
APPRAISING AN AUTOMOBILE LAUNDRY

THE period since the end of World War II has seen the birth of a number of new types of enterprises and the rapid growth of others. Drive-in theaters, laundromats and frozen custard stands are a few that have mushroomed across the country.

Perhaps the latest type of enterprise to spring from infanthood to brawny adolescence is the automobile laundry - commonly referred to as a 'rack.' Latest estimates indicate that approximately 120 million cars per year are being washed by these newfangled contraptions compared with 30 to 40 million 4 years ago.

In addition to the fact that all business success stories are interesting, the problem of appraising an automobile laundry also has its interesting aspect. To some extent the value created by a high-volume rack is similar to that created by a high-volume gasoline service station. Furthermore, the size, volume, type of equipment, method of operation and net income will vary just as widely among automobile racks as it will among service stations. Another point of similarity is found in the tremendous importance of the manager to both. If anything, the manager is even more important to the success of an automobile rack than to the success of a service station. While the latter usually has national advertising and brand acceptance to help counterbalance whatever shortcomings the manager may have, the automobile rack must get by solely on its own merits, which include a clean wash job, speedy service, and a manager with at least average affability.

TYPICAL MIDWESTERN CAR WASH LAYOUT



You can see, therefore, that any generalization on wash rack size, operation, and earnings would have to be so wide as to be virtually meaningless; so in order to narrow down this discussion to useful dimensions we are going to give you some reasonable figures on the operation of a good-size rack in the St. Louis area.

This rack occupies a one-story concrete block building, 35' x 120', on a 70' x 150' lot. A sketch of the layout is shown to the right. The

building cost $24,200 and the land cost $7,000. Equipment necessary to handle 5,000 cars a month comfortably will cost right at $25,000 installed; so the total investment is $56,200.

In order to run 5,000 cars through this rack it should operate from 8 A.M. to 6 P.M. for 6 days a week, and from 9 A.M. to 1 P.M. on Sundays and holidays. Such a rack will require about 12 men to handle the different cleaning and washing operations. In addition, it is advisable to have a foreman and a cashier.

Labor on the St. Louis conveyor lines is paid about 75¢ per hour on a daily basis, and the foreman draws $65 per week. The cashier's salary is $40 per week. Therefore, the weekly payroll will run $681, or $35,412 per year. The owner will draw a salary of $10,000 per year. Supplies such as towels, soap, brushes, lamb's wool mitts, rubber boots and aprons, polish, buffing pads, and other miscellaneous items will add up to another $4,000 annually. Building maintenance will run $350, and equipment maintenance and repairs will add another $2,500. Utilities, including water, electricity, and gas, will total $4,900. The gas is used for heating the building, generating steam for the steam cleaners, and heating the water for washing the cars and the water for the towel laundry. Real estate and personal property taxes will add another $665 to the expense column, and the insurance item of $700 brings the total for a year's operation to $58,527.

On the income side, the rack will wash 60,000 cars a year at $1.25 each for a total of $75,000. Ideal car washing weather is dry and dusty; so about 36,000 of these 60,000 cars will be washed during the spring-summer weather, while about 24,000 will be washed during the fall-winter weather. Some extra income is derived from polishing cars - say 300 per year at $15 each, or $4,500. This brings the total gross income to $79,500.

After deducting our $58,527 expenses, we find a net income of $20,973. From this we must deduct depreciation allowances for the building and its equipment.

This calculation works out in this manner.

$20,973	net income before depreciation
-5,000	20% depreciation on $25,000 worth of equipment
$15,973	subtotal
-1,210	5% depreciation on $24,200 building
$14,763	net return to the property and enterprise; capitalized at 10% gives a figure of $147,630 as its present value

You can see from this analysis that a wash rack can be a highly profitable operation. If you have to appraise one that has been in operation for a few years (most of them haven't), your job is relatively simple. On the other hand, if you have

to appraise the location of a new or proposed wash rack, you have a series of knotty problems.

First of all, heavy traffic is a necessity, but it must be the type of traffic that will stop. Highway traffic usually isn't worth much - it moves too fast. "Going home" traffic is best, and if it is traffic that is going home to an apartment district or to an average or above average income neighborhood, it is better still. Naturally, the location should have good visibility and easy access from the street. Another location that is frequently quite good is in or near a shopping district. Customers bring their cars in and leave them to be washed while shopping. At this type of location, more ground will be needed for parking the cars while they are awaiting pickup by their owners.

After estimating the flow of traffic and the potential customers that can be served by the location, try to check your estimates with some of the operators of other racks in your area. You may find them reluctant to give you any information, but skillful and diplomatic questioning can yield surprising dividends. Here is some information that may be helpful. It comes from Robin King, editor of The Auto Laundry News, Glendora, California.

In Los Angeles (probable the world capital of the wash rack business), 5% of the racks wash more than 8,000 cars per month, 10% wash between 6,000 and 8,000 cars per month, 28% wash between 4,000 and 6,000 cars per month, and 57% wash less than 4,000 cars per month.

Now, unless your location is in a real hot spot, the chances are that it will not run above the 4,000-per-month level. In fact, it will probably run a good deal less. Mr. King goes on to say that a wash rack turning out less than 3,000 cars per month is in for a rough time unless it can grow into bigger volume. At this (3,000) level, and without extra income from polishing, the operator's take-home pay is somewhere around $500 per month (with a 64-hour week). As a matter of fact, wash racks in the 1,600-to-3,000-car-per-month bracket seldom justify the expenditure for conveyor and automatic washing equipment. Where the output is less than 1,600 cars per month, the rack cannot afford a conveyor system and must usually operate with no more than four men in the labor crew.

In estimating your income, you should also consider the extra earnings of polishing. These polishing jobs - called "granitizing," "porcelainizing," or some other trade name - cost about $15 at the St. Louis racks. The extra amount they bring in depends almost entirely on the manager (don't ever forget his importance).

One rack that we know of did $18,000 in polishing business last year, while another of roughly comparable size did only $500 worth. One manager went after the business while the other one didn't. Here, again, if you're appraising a going business you will have some past operating experience to help you, but if you're appraising the proposed location, you will do well to lean toward the conservative side in estimating the amount of the polishing income. Although polishing

is by far the best sideline, there are others that are carried on with varying degrees of success. Steam cleaning of the engine is done by some racks, as is "undercoating" of the automobile body. Some racks are operated in conjunction with a gasoline service station. In this sort of operation there is the obvious advantage of the tie-in sale, and cars are often washed for as little as 89¢ if the driver first buys five (or ten) gallons of gas. Naturally, both operations tend to help one another.

When it comes to estimating labor costs, you will first need to figure the number of men that will be needed on the conveyor line. It is difficult to operate a modern rack without at least eight men, and preferably nine. When the weather gets bad and the cars get dirtier, several more men will usually be needed. A rack turning out 5,000 cars per month will need 12 to 14 men on the conveyor line plus a foreman or leadman. In the St. Louis area, labor is paid 65¢ to 75¢ per hour, but the scale varies widely in different parts of the country. Robin King tells us that the operators in San Francisco must pay up to $1.80 per hour. In St. Louis, crews are usually paid by the day rather than by the week. On this basis, rainy weather means a layoff for all or part of the crew, thereby keeping the labor cost in line with the amount of business done. This flexibility in labor policy naturally contributes to high labor turnover, with its accompanying inconveniences and annoyances.

Since the wash rack labor crew is usually of a marginal type and subject to a high turnover, a foreman or leadman can be helpful in keeping the line moving and breaking in new help. His salary should be commensurate with his ability and the amount of responsibility he can assume, and in this area, a weekly salary of $65 is about in line. The cashier is not required to do much more than sit at a counter and make change, and a salary of $40 per week is usually sufficient. In making your appraisal you will be able to vary these amounts in line with the labor market in your own area.

Equipment costs vary widely as does the type of equipment. You will recall that we had a cost of $25,000 for equipment in our hypothetical rack. It is not necessary to lay out that much money to get started. Somewhere between $6,000 and $7,000 should be enough for a minimum setup. Some operators feel that they can't get along without vacuum cleaners for the car interiors and automatic cleaners for the wheels. Others feel that vacuuming leads to a slowdown of the line and that a whisk broom applied vigorously does just as good a job in less time. They also point out that steam cleaners for the wheels don't need to be automatic, that automatic installations save little time and aren't worth their cost. The same division of opinion is found regarding the installation of the towel laundry. Some operators swear by the commercial-sized washer-extractor-dryer set, and are convinced that it saves them money. Others argue that it is cheaper in the long run to send their towels out to be laundered.

Other differences of opinion center around whether to wash the cars with

automatic brushes or do the entire job with lamb's wool mitts, whether to use soap or detergent or clear water, and whether to have the water hot or cold.

In making your appraisal, these differences in opinion should have little bearing on your problem. You can simply appraise the rack as it is, valuing the equipment it has, or, if the appraisal is of a proposed rack, your client should be able to tell you what type of equipment is contemplated.

For additional reference, you might write to some of the following manufacturers, asking them for prices (F.O.B. your town), performance data, and installation costs on the various types of equipment they manufacture.

Clayton Manufacturing Company
Box 550
El Monte, California

Chem Therm Manufacturing Co.
Monrovia, California

U. S. Washmobile
276 Halsey Street
Newark 2, New Jersey

Jet-O-Mat Wheel Washers
928 S. Robertson Blvd.
Los Angeles 35, California

Advanco Laboratories
318 S. Hamilton Street
Saginaw, Michigan

California Car Wash Systems, Inc.
P. O. Box 3937
North Hollywood, California

Earl Wilson Company
1328 Newport Avenue
Long Beach 4, California

Hurst System
San Carlos, California

Minit Man, Incorporated
Detroit, Michigan

Sherman Vacuum Equipment Co.
15061 Shaefer Highway
Detroit 27, Michigan

The 5-year writeoff of equipment is felt advisable, not so much because it wears out that fast, although some of it will, but because of continual change and improvement in the type of equipment moving into the market. Again our thanks to Robin King, who supplied us with some of the following information on equipment prices and life expectancy.

> Conveyor Systems - Cost between $1,000 and $1,500. Chain usually wears out completely in 3 to 5 years - on a high-volume rack (5,000 per month), the chain will probably go out in 2 years. Motor will last about 5 years, but the gears and accessories will last a shorter time.
>
> Vacuum System - From $300 for 1½ H.P. portable model to about $1,000 for a 5 H.P. stationary model. Overhaul every 2 or 3 years.

Wheel Washing - Most racks in the St. Louis area use a steamer with hoses leading to two pipes and nozzles. This type is operated by two men, one on each side of the car. It costs about $1,500 and will last about 5 years. The automatic wheel washers also use steam and cost from $2,000 to $7,500. Experience shows that they are obsolete in about 3 years, although their actual life may be longer.

Rinse Cabinets - Where not an integral part of a larger piece of equipment, these cabinets are relatively simple and can be built by the owner for around $300. A factory-built rinse cabinet will run about $750. Since all they do is squirt water on the car, there isn't much that can go wrong with them. Consequently, the depreciation factor is low.

Blowers - Cost from $3,500 to $6,000. Any blower over 5 years old today has very little value because of rapid improvement in design. Improvement is continuing and new ones should be written off in 5 years.

Body Washing Equipment - Usually a set of revolving brushes, selling from $2,500 to $6,000. Improvement in design indicates 5-year writeoff advisable.

Complete Washing Systems - There are a number of complete auto washing systems available. For example, the "Minit Man" is very popular in the St. Louis area. This system consists of a conveyor chain and motor, rinse and automatic body washing cabinet and high-velocity blower. It sells for $19,500 F.O.B. St. Louis. Life should be 10 years, but we prefer to write it off in 5 years. A set of brushes for the automatic body washers will run about $380 and last for 6 months.

Towel Laundry - Consists of a heavy-duty washer, extractor and dryer. Will cost from $1,500 to $2,000 installed, including water heater, and should be written off in 5 years.

Hot Water Boiler - A 480-gallon size boiler will cost about $1,100 installed. There isn't much that can happen to this equipment and it should last for the life of the building, providing it is properly maintained.

You will know best how to appraise the building once you find out what type it is. They vary a lot from one section of the country to another, those in Florida, Southern California, and other mild climates being less substantial and less costly than those in more rigorous climates. Minimum width of the building should be 16 feet for the conveyor line. If there is to be a "walk-through" for the customers, the width should be increased another 3 or 4 feet. Additional width will be needed in accordance with storage and office requirements (which are usually quite modest), and space needed for car polishing. The minimum length is about 100 feet for a modern rack if all operations are done inside. However, it is better to allow more room, and a 5,000-car-per-month rack should be at least 120 feet long for convenient and efficient operation.

The cost of the wash job also varies from $1.25 in Los Angeles, St. Louis, and Detroit areas to $1.50 to $2.00 in many other parts of the country. A good many of the higher priced racks also charge extra for white wall tires.

Everyone in the business stresses the importance of the management. A poor manager can take over a good rack and run it into the ground in less than 6 months. On the other hand, the public's memory is long and frequently vindictive, and a rack that has been poorly managed is very difficult to bring back into public favor.

There are some other things you should keep in mind in appraising a wash rack. The entire field is new and vigorous, and it is subject to the changes and glittering opportunities so often found in a new field. It is also subject to the same hazards, and it is our belief that competition will hasten the already rapid changes taking place throughout the entire field. We expect the number of well-managed, well-located, and adequately equipped racks to grow, and competition will fall most fiercely on the marginal* racks. We also expect this competition to increase among the manufacturers of equipment, sparking a continuing improvement in the efficiency of car washing tools. This is the main reason we are so insistent on writing off the cost of the equipment in 5 years.

All in all we are optimistic regarding the outlook for wash racks with a proper blend of the three prime requisites. If we had to rank these requisites in the order of their importance, the ranking would be: 1. cheerful and efficient management; 2. accessible location; 3. adequate equipment.

This article hasn't told you all there is to know about the wash rack business. However, we hope it has given you a few bench marks and reference points in case you ever have to appraise one. Lest we have painted too rosy a picture of profit possibilities, thereby luring some of you away from your chosen field, we should point out to you some of the disadvantages. For one thing, the hours are terrible. For another, you will have to deal with a frequently cantankerous general public in a situation where the customer is always right. (This alone

*We mean "marginal" management or equipment as well as marginal location.

would demand a considerable adjustment of viewpoint insofar as some of us are concerned.) Another disadvantage is that the wash rack business can certainly be classed as rendering a "deferrable" service. When people start living close to their paychecks, they'll do their own car washing or let them stay dirty. In 1929, the 100 or so racks then in existence suffered approximately 90% mortality.

Finally, the wash rack business is definitely bucking the "do-it-yourself" trend. If you switched to the wash rack business, think what a blow it would be to suddenly find the "Jiffy Home Automobile Laundrymat" sweeping the country. It would probably put you out of business. By an appraiser, however, such an invention could be viewed with complete equanimity. You would simply have to charge more obsolescence when appraising homes that lacked this up-to-date convenience.

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